



OFFICE OF THE PRESIDENT

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March 9, 2006

Current and Former LANL Employees

Dear Friends:

There has been considerable confusion over the recent Regents' action regarding the University's proposal to establish a separate plan with key University of California Retirement Plan (UCRP) features (the "UCRP-LANL Plan") for existing LANL retirees and inactive vested employees and those who choose to retire or become inactive in the remaining months before the University contract expires.

No formal action to create a UCRP-LANL Plan will be taken without approval of The Regents and agreement with the NNSA. We have begun discussions with NNSA and, as you may know, the NNSA Administrator, Linton Brooks, has asked for more information on the UCRP-LANL Plan and other approaches through which UC and DOE could work together to clarify DOE's ongoing financial obligations. I want to share with you my response to Ambassador Brooks. I hope the enclosed letter makes it clear that the University remains committed to honoring and protecting your hard-earned pension benefits.

Sincerely,

Robert C. Dynes

Enclosure



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Ambassador Linton F. Brooks
Administrator, National Nuclear Security Administration
Department of Energy
Room 7A-199, Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Ambassador Brooks:

Thank you for your letter of February 6 regarding the University of California's proposal to establish a separate pension plan for current and former Los Alamos National Laboratory employees. Your letter reflected our understanding of the Department of Energy/National Nuclear Security Administration's position, based on the February 1 discussions between our respective representatives.

The University shares your commitment to a transition that will not diminish the pension benefits for LANL retirees and vested inactive employees, and doing so in a manner that reflects sound stewardship of public funds. As I am sure you understand, the University must ultimately fulfill its fiduciary responsibilities to all University of California Retirement Plan (UCRP) members, so any approach that is put forward must be done within that context as well. Let me assure you that The Regents take their fiduciary obligations to the LANL retired and inactive members very seriously.

There are two requirements to which we firmly committed for any action that the University proposes:

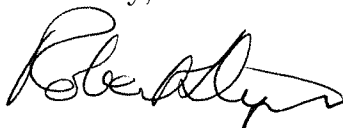
- UC retirees from LANL will receive defined benefits identical to those provided under the existing UCRP plan provisions, including annual cost of living adjustments (COLAs); there will be no reduction in accrued benefits or payments.
- The Regents will continue to oversee and manage the retirement plan program and set investment policy.

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Under any potential option, LANL retired and inactive members will continue to be members of an UC-sponsored defined benefit plan. This means that UC will remain responsible for ensuring the full payment of benefits. In order to maintain the funded status of the Plan, it is our intent to work with DOE/NNSA to clarify DOE's ongoing obligations to the University for contributions made to the Plan and to cover costs associated with providing benefits to LANL retired and inactive members if a funding shortfall occurs. I share your expectation that our longstanding relationship will allow us to reach agreement on an approach that will enable us to make a successful transition to the LANS organization and to interact fairly with LANL employees.

The University welcomes the opportunity to discuss these matters in order to reach a mutually agreeable solution to this important topic. We are in the process of preparing descriptions of what UC considers to be possible alternatives. We expect that this information will be formally submitted to NNSA within the next 30 days.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert C. Dynes", with a stylized, flowing script.

Robert C. Dynes

cc: Senior Vice President Mullinix
Senior Vice President Darling
Vice President Foley
Assistant Vice President Sudduth